

Company Registration No. 07967865

PGI – Protection Group International Ltd

Annual Report

For the year ended 31 December 2019

WEDNESDAY



A9D8D9LU

A08

09/09/2020

#333

COMPANIES HOUSE

PGI – Protection Group International Ltd**Annual Report
For the year ended 31 December 2019****CONTENTS**

	Page
Officers and professional advisors	3
Strategic report	4-6
Directors' report	7-8
Independent auditor's report	9-11
Consolidated statement of comprehensive income	12
Consolidated and parent company statement of financial position	13
Consolidated statement of changes in equity	14
Parent company statement of changes in equity	15
Consolidated and parent company statement of cash flows	16
Notes to the financial statements	17-37

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B Lord (Chief Executive Officer) – appointed 1 May 2020
L Cranston (Chief Finance Officer) – appointed 1 May 2020
B Roche (Non-Executive Director)
S Al Jabri (Non-Executive Director) – appointed 1 May 2020

REGISTERED OFFICE

13-14 Angel Gate
London
EC1V 2PT

REGISTERED NUMBER

07967865

BANKERS

Santander plc
Corporate Banking
Bridle Road
Bootle
Merseyside
L30 4GB

INDEPENDENT AUDITOR

Nexia Smith & Williamson
Chartered Accountant & Statutory Auditor
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Strategic report

The directors present their strategic report for the year ended 31 December 2019.

Business and financial review

The four key areas of business during 2019 remained:

- Intelligence
- Cyber Security
- Government Training and Capacity Building
- Maritime Security

PGI growth and evolution continued to mature over 2019, culminating with the sale of the Maritime Security business in Q4. Following this sale, armed with a deeper understanding of target markets that remain challenged by the technology revolution, the remaining PGI businesses were consolidated under a single unifying management structure at the end of the year in order to take PGI's growth to the next level.

Intelligence

2019 built on developing and delivering the new, innovative services demanded by those major new clients who were won at the end of 2018. PGI has also continued to grow and adapt existing service lines under annual renewal contracts to secure regular, repeatable and reliable revenue streams. PGI Intelligence's ability to innovate in the face of contemporary technologies has been the corner stone of client attraction and satisfaction, through agile, quality delivery and customer service. The Risk Portal, supported by a focussed and professional social media marketing campaign, continues to attract new clients as their initial point of entry into the organisation. The major clients won at the end of 2018 have now successfully grown into PGI Intelligence's largest customers.

Cyber Security

2019 saw the largest single contract won to date, which will secure a significant revenue stream through 2020 and into 2021. Augmented by two smaller, but still significant contracts and the completion of a 2018/2019 project which PGI subsequently converted into annuitised revenue, this has seen PGI's international cyber security training portfolio fully mature following several years of growth and development. The Cyber Security services offering to the corporate client base also has continued to grow and focus around an increasingly regulated market, with PGI's brand becoming stronger throughout the year; thus positioning the blend of Cyber Security offerings more strongly for 2020.

Government Training and Capacity Building

PGI's long-standing, enviable reputation for delivering complex government capacity building in complex operating environments remains high and well-regarded. PGI continues to be repeatably used by its domestic and international clients in an increasingly budgetary-challenged environment. However, it has been this reputation, combined with the skills and knowledge brought from PGI's Intelligence and Cyber Security businesses, that has generated the next-generation of complex government capability building; successfully tested and delivered during 2019. The unified business approach established at the end of 2019 will provide the delivery platform for this approach to be mainstreamed and grown yet further during 2020.

Maritime Security

PGI sold the Protection Vessels International (PVI) subsidiary in December 2019. The anticipated synergy between the shipping clients' physical security risk (PVI) and their digital risk (Cyber and Intelligence) had not manifested itself. The buying points within the clients were different and the risk management decisions were driven by different factors and people within the client organisations. The digital risk never raised itself within the PVI client base to a level where PGI organisational synergy was possible. The board felt that the future and profitability of the digital risk services could only thrive with dedicated senior management attention and support service provision.

Strategic report (continued)

Business and financial review (continued)

The group's continuing revenues for the year to 31 December 2019 were £5.4m, £1.0m lower than the prior year equivalent. The decrease reflected a large, one off, project in the prior year. Continuing group gross profit was £2.6m, £0.2m lower than prior year equivalent as gross margin increased from 44.7% to 49.0%.

The group's reported continuing profit before interest, tax, depreciation and amortization (EBITDA) of £0.5m (2018: loss of £1.3m) shows that the impact of the reduced revenues has been mitigated through effective cost management. The effect of these continued actions means the group is expected to deliver a profit at EBITDA in 2020.

The continuing loss before tax of £0.6m compares to a reported loss of £2.7m in 2018 and reflects the operational performance improvement above combined with a reduction in depreciation and a release of accruals in respect of dilapidations.

The group finances its operations through a mixture of operational cash generation, bank facilities with Santander plc and loans from United Engineering Services LLC. Interest rates on the Santander facility were 5% above LIBOR. The shareholder loan from United Engineering Services LLC attracts interest at 6%.

The impact of the Covid-19 outbreak in 2020 on group revenue has been limited to date as most work previously delivered in person has been delivered remotely. The group put a small number of staff on short periods of furlough and has utilised the VAT deferral option but otherwise has not required any government support. The offices have been made "Covid secure" allowing staff to operate from home or the office.

Key performance indicators

The key performance indicators used by the Board to measure the business during the year were:

1. Gross profit margin
2. Monitoring of division specific statistics

	2019	2018
Continuing gross profit margin	49.0%	44.7%

Principal risks and uncertainties

The group's exposure to risks and uncertainties is not considered to be any more severe than for companies in similar or related sectors. Formal risk analysis, review and control are a Board level activity which also flows down to day to day operations through our ISO 9001 accredited quality processes. The principal risks have not changed during the year under review and have been analysed as:

Market: Market conditions are subject to long term trends and disruptive changes. Our plans are designed to respond to these changes whilst having the flexibility to take advantage of opportunities created by disruptive events. There is a risk, particularly in the current climate, that where we seek to invest in the business for future growth, we will not be able to achieve growth as quickly as forecast. We minimise the impact of this by careful measurement against budgets and appropriate action on the cost base should that prove necessary.

Staff: The group is a services business and relies heavily on having a skilled and experienced workforce at all levels matched to our clients' needs. We pay close attention to career appraisal, development and training. We also offer competitive remuneration packages, appropriate tools and good working conditions.

Strategic report (continued)

Principal risks and uncertainties (continued)

Clients: The group has a large client base, however historically there have been more significant clients making up a larger proportion of sales. With the sale of PVI this risk has been minimized.

Suppliers: The group relies on contractors to provide many of its services. By maintaining a significant pool of available contractors, offering a competitive market rate of pay and interesting work this mitigates the associated supplier risk considerably.

Business continuity: The group's offices, IT and communications infrastructure has contingent location plans as well as offsite IT data storage and recovery.

Financial: PGI has some exposure to credit risk, liquidity risk as well as interest and exchange rate fluctuation.

Credit checks are carried out before bidding for work with new clients and where possible, up front deposits are taken. Furthermore, outstanding debt is checked before taking significant additional business from existing clients. We also employ experienced credit control staff.

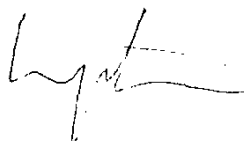
In respect of liquidity risk, the group monitors this closely to ensure it has sufficient liquidity to meet future needs through regular cash flow forecasting to ensure existing borrowing facilities are sufficient and through group support.

Interest and exchange rate hedging is not deemed a significant risk; changes in interest rates will not have significant impact on the financial statements, whilst there is largely a natural hedge in the case of foreign currency transactions.

COVID19: PGI has assessed the risks and mitigations related to Covid-19 as follows:

- Business Continuity – all employees and contractors are set up to be able to work from home and do not need to be in the office. All IT systems can be maintained remotely or via data centre employees;
- Employee health – all employees have one or more backups to be able to cover each element of their role. There is, of course risk, that if a significant proportion of employees get ill at once then either delivery or operations could be stalled. By ensuring that all employees adhere to government guidance on social distancing in and out of work this risk is minimized; and
- Impact on customers and revenue – the impact of Covid-19 on our customers is expected to be varied but, given a mix of corporate and government clients in the portfolio, PGI doesn't expect this to have a significant impact, particularly in the short term.

Approved by the Board of Directors
and signed on its behalf by:



Lisa Cranston
Chief Finance Officer

Date: 3rd September 2020

Directors' report

The directors present their report for the year ended 31 December 2019.

Results and dividends

The results and position of the group for the year are set out in detail in the Consolidated Statement of Comprehensive Income and Consolidated and Parent Company Statement of Financial Position on pages 12 and 13.

There were no dividend payments this year (2018: £nil) and the directors do not propose to recommend the payment of a final dividend (2018: £nil).

Directors

The directors who served during the period are set out below:

B M Roche*

Dr M A Al Barwani (resigned 30th April 2020)*

N R Storey (resigned 30th April 2020)*

*denotes non-executive directors

Political donations

No donations were made to political organisations.

Research and development activities

The group carries out development on its own intellectual property rights ("IPR") as well as developing add-ons to third party products as is the case with the Risk Portal. Research and development is not a significant proportion of the group's staff utilisation.

Environmental policies

The group acknowledges the importance of environmental matters and where possible uses environmentally friendly policies in all its offices such as recycling and energy efficient practices.

Employment and social issues

The group values its staff and involves them in the business through periodic group staff meetings.

The group is committed to a policy of equal opportunities, and full and fair consideration is given to applications for employment made by disabled persons having regard to their particular aptitudes and abilities. Appropriate training is arranged for disabled persons, including retraining for alternative work of employees who become disabled, to promote their career development within the organisation.

Directors' report (continued)

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to Auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the parent company and the group's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Nexia Smith and Williamson offer themselves for reappointment as auditors in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors
and signed by order of the Board



Lisa Cranston
Chief Finance Officer

Date: 3rd September 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGI – PROTECTION GROUP INTERNATIONAL LTD**Opinion**

We have audited the financial statements of PGI – Protection Group International Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated statement of changes in equity, the parent company statement of changes in equity, the consolidated and parent company statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3.1 in the financial statements, which indicates that, as at 31 December 2019, the Group's liabilities exceed its assets by £20,411,590 and the continuing ability of the group and parent company to meet their financial obligations is dependent on the continuing support of its ultimate parent company, MB Holding Company LLC ("MB"). However, MB has reported a loss in its group accounts and reports a net current liabilities position as at 31 December 2019 and discloses a material uncertainty regarding the MB group's ability to continue as a going concern.

In addition, as detailed in note 3.1 on 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. The impact of this on the business remains unquantifiable at this stage.

As stated in note 3.1, these conditions indicate that a material uncertainty exists that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGI – PROTECTION GROUP INTERNATIONAL LTD (CONTINUED)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PGI – PROTECTION GROUP
INTERNATIONAL LTD (CONTINUED)**

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith & Williamson

Kelly Jones (Senior Statutory Auditor)

for and on behalf of
Nexia Smith & Williamson

Chartered Accountants
Statutory Auditor

Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date: *4 September 2020*

PGI - Protection Group International Ltd

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2019

		2019	2018
			Restated
	Note	£	£
Continuing operations			
Revenue	4	5,387,459	6,403,373
Cost of sales		(2,749,324)	(3,539,693)
Gross profit		2,638,135	2,863,680
Administration expenses		(2,179,854)	(4,436,254)
Operating profit/(loss)	5	458,281	(1,572,574)
Finance costs	6	(1,109,176)	(1,110,447)
Finance income	6	1,031	1,715
Loss before tax		(649,864)	(2,681,306)
Income tax credit	10	-	-
Loss from continuing operations		(649,864)	(2,681,306)
Profit from discontinued operations attributable to owners of the parent	11	2,400,807	609,644
Profit/(Loss) after tax and total comprehensive expense for the year attributable to owners of the parent		1,750,943	(2,071,662)

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

PGI - Protection Group International Ltd

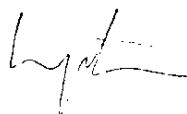
CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		Group		Company	
	Note	2019 £	2018 £	2019 £	2018 £
Assets					
<i>Non-current assets</i>					
Goodwill	13	3,353,523	3,353,523	-	-
Other intangible assets	13	-	4,307	-	-
Property, plant & equipment	12	5,506	45,308	843	6,744
Investments	11	-	-	3,214,397	3,214,483
Deferred tax assets	16	-	98,356	-	-
Non-current assets		3,359,029	3,501,494	3,215,240	3,221,227
<i>Current</i>					
Trade and other receivables	14	1,265,139	2,138,576	59,364	150,290
Cash and cash equivalents	15	29,741	44,526	22,641	15,363
Current assets		1,294,880	2,183,102	82,005	165,653
Total assets		4,653,909	5,684,596	3,297,245	3,386,880
Equity and liabilities					
Equity					
Share capital	20	281	281	281	281
Share premium	21	5,475,113	5,475,113	5,475,113	5,475,113
Other components of equity	21	-	14	-	-
Other reserves	21	-	-	(2,000,000)	(2,000,000)
Retained earnings	21	(25,886,984)	(27,637,927)	(23,640,520)	(25,079,266)
Deficit attributable to owners of the parent		(20,411,590)	(22,162,519)	(20,165,126)	(21,603,872)
Liabilities					
<i>Non-current</i>					
Deferred tax liabilities	16	-	-	-	-
<i>Non-current liabilities</i>		-	-	-	-
<i>Current</i>					
Trade and other payables	17	6,615,499	8,597,115	5,012,371	5,740,752
Borrowings	18	18,450,000	19,250,000	18,450,000	19,250,000
Current liabilities		25,065,499	27,847,115	23,462,371	24,990,752
Total liabilities		25,065,499	27,847,115	23,462,371	24,990,752
Total equity and liabilities		4,653,909	5,684,596	3,297,245	3,386,880

During the year ended 31 December 2019, the parent company generated a profit of £1,438,746 (2018: loss of £1,872,073).

These financial statements were approved by the Board of Directors and signed on its behalf by:



Lisa Cranston
Director

Date: 3rd September 2020

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.
Company Registration No. 07967865

PGI - Protection Group International Ltd

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

All attributable to the owners of the parent

	Note	Share Capital £	Share Premium £	Other components of equity £	Retained Earnings £	Total £
Balance at 1 January 2019		281	5,475,113	14	(27,637,927)	(22,162,519)
Loss for the year from continuing operations		-	-	-	(649,864)	(649,864)
Profit from discontinued operations		-	-	-	2,400,807	2,400,807
Total comprehensive income for the year		-	-	-	1,750,943	1,750,943
Other movement in reserves related to discontinued operations		-	-	(14)	-	(14)
Balance at 31 December 2019		281	5,475,113	-	(25,886,984)	(20,411,590)
Balance at 1 January 2018		281	5,475,113	14	(25,566,265)	(20,090,857)
Loss for the year		-	-	-	(2,071,662)	(2,071,662)
Total comprehensive expense for the year		-	-	-	(2,071,662)	(2,071,662)
Balance at 31 December 2018		281	5,475,113	14	(27,637,927)	(22,162,519)

Included within retained earnings is £(2,000,000) which arises from the purchase of own shares as part of the process for establishing an Employee Benefit Trust to facilitate the provision of share-based benefits for management and senior staff. No share schemes have been established to date.

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

PGI - Protection Group International Ltd

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Share Capital	Share Premium	Other Reserve	Retained Earnings	Total
		£	£	£	£	£
Balance at 1 January 2019		281	5,475,113	(2,000,000)	(25,079,266)	(21,603,872)
Profit for the year		-	-	-	1,438,746	1,438,746
Total comprehensive income for the year		-	-	-	1,438,746	1,438,746
Balance at 31 December 2019		281	5,475,113	(2,000,000)	(23,640,520)	(20,165,126)
Balance at 1 January 2018		281	5,475,113	(2,000,000)	(23,207,193)	(19,731,799)
Loss for the year		-	-	-	(1,872,073)	(1,872,073)
Total comprehensive expense for the year		-	-	-	(1,872,073)	(1,872,073)
Balance at 31 December 2018		281	5,475,113	(2,000,000)	(25,079,266)	(21,603,872)

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	Group		Company	
		2019 £	2018 £	2019 £	2018 £
Cash flows from operating activities					
(Loss)/profit before tax from continuing operations		(649,864)	(2,681,306)	1,438,746	(1,872,073)
Adjustments for:					
Profit before tax from discontinued operations	12	305,578	578,796	-	-
Depreciation		30,110	392,207	5,901	155,103
Amortisation	13	4,307	23,164	-	-
Loss on disposal of property, plant and equipment		-	202,581	-	62,061
Profit on disposal of subsidiary		-	-	(2,891,714)	-
Finance income	6	(1,144)	(1,977)	(807,167)	(742,659)
Finance costs	6	1,109,176	1,110,447	1,109,176	1,110,447
Changes in working capital:					
(Increase)/decrease in trade and other receivables		(81,510)	(246,644)	897,166	(59,175)
Increase/(decrease) in trade and other payables		(366,545)	854,661	617,313	1,610,460
Cash generated/(absorbed) by operations		350,108	231,929	369,421	264,164
Income tax paid		-	-	-	-
Net cash from operating activities		350,108	231,929	369,421	264,164
Cash flows from investing activities					
Capital expenditure		(2,967)	(4,940)	-	(1,264)
Finance income received		1,144	1,977	927	142
Net cash from investing activities		(1,823)	(2,963)	927	(1,122)
Cash flows from financing activities					
Finance costs paid		(363,070)	(279,864)	(363,070)	(279,864)
Net cash from financing activities		(363,070)	(279,864)	(363,070)	(279,864)
(Decrease)/increase in cash and cash equivalents		(14,785)	(50,898)	7,278	(16,822)
Cash and cash equivalents at beginning of year		44,526	95,424	15,363	32,185
Cash and cash equivalents at end of year		29,741	44,526	22,641	15,363

The accompanying accounting policies and notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
Year ended 31 December 2019

1. Nature of operations

The principal activities of PGI – Protection Group International Ltd and subsidiaries (“the group”) include the provision of:

- corporate intelligence services;
- technology solutions for monitoring and reporting risks;
- cyber security testing and solutions, and
- specialist training; and
- physical security services to the maritime industry.

In December 2019 the group sold the PVI business and no longer provides physical security services to the maritime industry. Details are provided in Note 11.

2. General information and statement of compliance with IFRSs

PGI – Protection Group International Ltd is a private company limited by shares. It is incorporated in England and Wales under the Companies Act 2006. The address of its registered office is 13-14 Angel Gate, London EC1V 2PT.

The financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) and IFRIC interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a historical cost basis.

Changes in accounting policies and disclosures

New and amended Standards and Interpretations adopted by the group and company

IFRS 16 “Leases” took effect from 1 January 2019 and has been adopted for the year ended 31 December 2019. There are currently no leases in the group.

New and amended Standards and Interpretations mandatory for the first time for the financial year beginning 1 January 2019 but no material impact to the group or company

The following new and amended Standards and Interpretations are not currently relevant to the Group or Company; however, they may have a significant impact in future years:

- IFRIC 23 “Uncertainty over Income Tax Treatments”
- Amendment to IFRS 9: “Prepayment Features with Negative Compensation”
- Amendment to IAS 28: “Investments in Associates and Joint Ventures”
- Amendment to IAS 19: “Employee Benefits”
- Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 in “Annual Improvements 2015-2017 cycle”

New and amended Standards and Interpretations issued but not effective for the financial year beginning 1 January 2019

At the date of authorisation of these financial statements, there were a number of standards and interpretations which were in issue but not yet effective.

The effect of these new and amended standards and interpretations which are in issue but not yet mandatorily effective is not expected to be material.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

3. Summary of accounting policies

3.1 Accounting convention and going concern

The financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

Given that the group has generated a loss of £0.6 million for the year ended 31 December 2019 and has net liabilities at that date of £20.4 million, the directors acknowledge that the continuing ability of the group to meet its financial obligations and continue as a going concern is dependent on the support of its ultimate parent company, MB Holding Company LLC (“MB”).

MB have confirmed that they will continue to provide financial support to the group for at least 12 months from the date these financial statements are authorised. However, MB has reported a loss in its group accounts for the year ended 31 December 2019 and a net current liabilities position resulting in a material uncertainty regarding the MB group’s ability to continue as a going concern being disclosed in the MB group accounts.

The directors of the group have satisfied themselves that MB has the continued support of MB’s shareholder, to enable the MB group to continue its operations and to meet its obligations as they fall due and continue as a going concern.

In addition, on 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation. It is difficult to assess, predict and quantify the longer-term impact of this pandemic on the business.

These circumstances, therefore, give rise to a material uncertainty which casts significant doubt on the group’s ability to continue as a going concern.

Given the confirmation of financial support received from MB, the directors have a reasonable expectation that the group will be able to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

3.2 Basis of consolidation

The group financial statements consolidate those of the parent company and all its subsidiaries as of 31 December 2019. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between group companies are eliminated on consolidation, including unrealised gains and losses on transactions between group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

The parent company has taken advantage of the exemption granted by Section 408 of the Companies Act 2006 from presenting its own Income Statement.

3.3 Business combinations

The group applies the acquisition method of accounting for business combinations. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree’s financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (i) fair value of consideration transferred, (ii) the recognised amount of any non-controlling interest in the acquiree and (iii) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

Summary of accounting policies (continued)

3.4 Foreign currencies

The financial statements are presented in Pounds sterling, which is also the functional currency of the group.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates the fair value was determined.

3.5 Revenue and revenue recognition

Revenue is recognised in accordance with the transfer of promised services to customers (i.e. when the customer gains control of the service) and is measured as the consideration which the group expects to be entitled to in exchange for those services. Consideration is typically fixed on the agreement of a contract. Payment terms are agreed on a contract by contract basis.

Contracts include promises to transfer services to a customer (i.e. “performance obligations”) which are typically indistinct and hence are accounted for together in a single performance obligation. Where multiple performance obligations exist within one contract, the transaction price is allocated between each performance obligation on the basis of the contract, with reference to stand-alone selling prices of each component.

A service is distinct if the customer can benefit from the service on its own or together with other resources that are readily available to the customer and the entity's promise to transfer the service to the customer is separately identifiable from other promises in the contract.

The group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised service to the customer.

Contracts with customers do not contain a financing component or any element of variable consideration.

- Revenue from transits is recognised over the time-period spanned by the transit, as this is considered to best depict the customer's consumption of the benefit of this arrangement.
- Revenue from the Risk Portal and retained contracts is recognised over the time-period spanned by the contract, as this is considered to best depict the customer's consumption of the benefit of this arrangement.
- Revenue from training is recognised over the time-period spanned by the training delivery, as this is considered to best depict the customer's consumption of the benefit of this arrangement.
- Revenue from all other contracts is recognised over time, as it is deemed that the services provided to the customers are specific and have no alternative use to the group and the customers have an obligation to pay the group for performance to date. The group uses the output method to measure the progress towards completion of this performance obligation, on the basis of direct measurement of the value to the customer of the services transferred to date relative to the remaining services promised under the contract. The output method used by the group is based on milestones reached.

If revenue is recognised over a period of time, the company presents as a contract asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers are included within ‘trade and other receivables’.

Deferred income arises where services are invoiced in advance of performance. The amount is released to the income statement in subsequent periods with reference to the stage of completion of the transaction at the statement of financial position date.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

3. Summary of accounting policies (continued)

3.6 Interest and dividends

Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments and joint ventures, are recognised at the time the right to receive payment is established.

3.7 Investments

Investments represent the parent company's holdings in its subsidiaries and are stated at cost less any impairment in value. Any impairment is charged to the Company Income Statement.

3.8 Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 3.3 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 3.12 for a description of impairment testing procedures.

3.9 Other intangible assets

Recognition of other intangible assets

Acquired software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software. Intangible assets acquired in a business combination that qualify for separate recognition are recognised as other intangible assets at their fair values (see Note 3.3).

Internally developed software

Expenditure on the research phase of projects to develop new customised software for IT and security systems is recognised as an expense as incurred.

Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the group intends to and has sufficient resources to complete the project;
- the group has the ability to use or sell the software; and
- the software will generate probable future economic benefits.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee costs incurred on software development along with an appropriate portion of relevant overheads and borrowing costs.

Subsequent measurement

All intangible assets, including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3.12. The following useful lives are applied:

- Software: 3 years

Any capitalised internally developed software that is not yet complete is not amortised but is subject to impairment testing as described in Note 3.12.

Subsequent expenditures on the maintenance of computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

3. Summary of accounting policies (continued)

3.10 Property, plant & equipment

Property, plant and equipment are initially recognised at acquisition cost or manufactured cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the group's management. These assets are subsequently measured using the cost model, at cost less accumulated depreciation and impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Leasehold improvements	over the period of the lease
Protection equipment	10 years straight line
Computer equipment	3 years straight line
Fixtures and fittings	10 years straight line
Office equipment	5 years straight line

Material residual value estimates and estimates of useful lives are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

3.11 Leased assets

All leases are operating leases. Where the group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

3.12 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro-rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

3. Summary of accounting policies (Continued)

3.13 Financial instruments

Financial assets and financial liabilities are recognised in the Consolidated Statement of Financial Position when the group becomes a party to the contractual provisions of the instrument.

Trade receivables and contract assets

Trade receivables and contract assets do not carry any interest and are initially measured at their fair value, and subsequently at their amortised cost, as reduced by appropriate allowances for estimated irrecoverable amounts. Trade receivables are impaired when the asset meets one of the following criteria:

- a) The financial asset is credit-impaired; or
- b) Credit losses are expected on the asset. Any loss allowance relating to trade receivables has been calculated with reference to historical experience in the recoverability of such receivables, taking into consideration current conditions and forecasts of future economic conditions.

The provision for bad and doubtful debts includes estimated potential credit losses. No adjustment was required to the provision on transition to IFRS 9.

Borrowings

Interest-bearing loans and overdrafts are recorded initially when the proceeds are received. Finance charges are accounted for at amortised cost using the effective interest rate method.

Trade payables

Trade payables are non-interest bearing and are initially measured at their fair value and subsequently at their amortised cost.

3.14 Income taxes

Tax expense recognised in the statement of comprehensive income comprises the sum of deferred tax and current tax not recognised directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries, associates and joint ventures is not provided if reversal of these temporary differences can be controlled by the group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary differences will be utilised against future taxable income. This is assessed based on the group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are always provided in full.

Changes in deferred tax assets and liabilities are recognised as a component of tax income or expense on profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

3. Summary of accounting policies (Continued)

3.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.16 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Other components of equity include the merger reserve.

Retained earnings includes all current and prior period retained profits/losses.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

3.17 Post-employment benefits and short-term employee benefits

Post-employment benefit plans

The group provides post-employment benefits through a defined contribution benefit plan. The group pays fixed contributions into independent entities in relation to state plans and insurances for individual employees. The group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

The group has no defined benefit plans.

Short-term employee benefits

Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the group expects to pay as a result of the unused entitlement.

3.18 Provisions, contingent assets and contingent liabilities

Provisions legal disputes, onerous contracts or other claims are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

3.19 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the company and the group that have the most significant effect on the financial statements.

Determination of cash generating units

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The Directors consider that the Intelligence division is a separate cash generating unit as it operates as an independent, integrated business.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

3. Summary of accounting policies (Continued)

3.19 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Determination of performance obligations and satisfaction thereof

For the purposes of recognising revenue, the Directors are required to identify distinct services in contracts and allocate the transaction price to the performance obligations. Where different services are provided together as a bundle each service is considered a separate performance obligation and is recognised dependent on the type of services it is, as this is considered the best indicator of when the customer receives and consumes the benefit of the service.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Fair value of unquoted equity investments

The parent company's investments in subsidiaries are held at historic cost less any applicable provision for impairment.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units (CGU) to which goodwill has been allocated (note 13). The value in use calculation requires the group to estimate the future cash flows expected to arise from the CGU and apply a suitable discount rate in order to calculate the present value. The directors have considered the impact of the current market on the assumptions used in the calculation of the impairment test of the goodwill's carrying value of £3.4m and concluded that no impairment charge is required.

Useful lives of depreciable assets

Useful lives are based on management's estimates of the period that the assets will generate economic benefits to the group, which are periodically reviewed for appropriateness. Changes in estimates could result in significant variations in the carrying value.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

4. Turnover

The whole of the turnover is attributable to the company's principal activity.

	2019 £	2018 Restated £
United Kingdom	4,211,589	3,372,297
Rest of Europe	294,125	469,010
Rest of the world	881,745	2,562,066
	5,387,459	6,403,373

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied, as of the end of the reporting period is £554,351 (2018 Restated: £461,700). This revenue will be recognised in the next accounting period.

5. Operating profit/(loss) from continuing operations

	2019 £	2018 Restated £
Operating profit/(loss) is stated after charging/(crediting)		
Property, plant & equipment		
Depreciation of owned assets	17,848	227,045
Amortisation of intangible assets	4,307	23,164
Audit services		
- Statutory audit	57,200	59,200
Tax services		
- Compliance	10,750	13,995
Other services	2,300	2,590
Rentals under operating leases		
- Land and buildings	-	408,282
Loss/(gain) on foreign exchange transactions	6,247	(7,928)
Loss on disposals of property, plant & equipment	-	160,927

6. Net finance (cost)/income

	2019 £	2018 Restated £
Finance income		
Bank interest receivable	162	390
Other finance income	869	1,325
	1,031	1,715
Finance costs		
Interest payable on bank borrowings and other financing	(342,617)	(343,286)
Interest payable on loan from parent company	(759,000)	(759,000)
Other finance costs	(7,559)	(8,161)
	(1,109,176)	(1,110,447)
	(1,108,145)	(1,108,732)

PGI – Protection Group International Ltd

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

7. Employee benefits expense and staff numbers

	Group				Company	
	2019	2019	2018	2018	2019	2018
	Continuing		Continuing			
	£	£	£	£	£	£
Staff costs incurred during the period						
Wages and salaries	3,081,754	4,005,108	2,978,591	3,995,991	672,606	1,030,216
Social security costs	326,987	405,700	290,827	482,090	70,024	123,179
Pension costs – defined contribution plans	108,650	136,559	91,610	119,113	26,983	36,289
	3,517,392	4,547,367	3,361,028	4,597,194	769,613	1,189,684

	Group				Company	
	2019	2019	2018	2018	2019	2018
	Continuing		Continuing			
Average number of employees, including directors						
Operations	36	51	30	47	-	-
Management and administration	21	31	28	38	8	20
	57	82	58	85	8	20

8. Key management personnel compensation

	2019	2018
	£	£
Salaries and short-term employee benefits	338,664	316,051
Pension costs – defined contribution plans	11,250	8,100
	349,914	324,151

All of the above key management personnel compensation relates to Directors.

9. Directors emoluments

	2019	2018
	£	£
Aggregate amounts payable		
Remuneration to executive directors	300,000	270,000
Non-executive directors' fees	-	11,250
Pension costs – defined contribution plans	11,250	8,100
	311,250	289,350
Remuneration due to executive directors but unpaid at the year end	50,000	60,000
Amount payable to highest paid director		
Executive salary	300,000	270,000
Remuneration due to the highest paid director but unpaid at the year end	50,000	60,000

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

10. Income tax credit

	Note	2019	2018 Restated £
Analysis of tax charge in the year			
Deferred tax:			
Origination and reversal of temporary differences	16	-	-
Tax on loss of ordinary activities		-	-

UK tax is calculated at 19% (2018: 19%) of taxable profit. The tax charge is explained as follows:

	2019 £	2018 £
Profit/(Loss) on ordinary activities before tax:		
Continuing operations	(649,864)	(2,681,306)
Discontinued operations – profit before tax	305,578	578,896
– gain on disposal	<u>2,095,229</u>	<u>-</u>
	1,750,943	(2,102,510)
 Loss on ordinary activities multiplied by the normal rate	 332,679	 (399,477)
Effect of:		
Fixed asset differences	-	6,018
Expenses not deductible for tax purposes	6,259	13,404
Income not taxable for tax purposes	(401,253)	-
Deferred tax not recognised	<u>62,315</u>	<u>349,207</u>
Total tax credit on discontinued operations	-	(30,848)
Total tax credit on continuing operations	-	-

11. Investments

COMPANY

	Shares in group undertakings £
Cost	
At 1 January 2019	4,121,537
Disposals in year	(86)
At 31 December 2019	4,121,451
 Impairment provision	
At 1 January 2019	907,054
Provision in year	-
At 31 December 2019	907,054
 Carrying amount	
At 31 December 2019	3,214,397
At 31 December 2018	3,214,483
 £	
Cost	
At 1 January 2018	4,121,537
Disposals in year	-
At 31 December 2018	4,121,537
 Impairment provision	
At 1 January 2018	907,054
Provision in year	-
At 31 December 2018	907,054
 Carrying amount	
At 31 December 2018	3,214,483
At 31 December 2017	3,214,483

PGI – Protection Group International Ltd**Notes to the consolidated financial statements (continued)**
Year ended 31 December 2019**11. Investments (continued)**

Note 13 gives details of how the carrying value is reviewed for impairment.

A list of wholly owned unlisted subsidiary companies at 31 December 2019 is provided below. All of the subsidiaries listed below have a registered office at 13-14 Angel Gate, London, EC1V 2PT.

Company	Country	Nature of business	Class of share capital	Percentage shareholding
Olton Limited	England	Dormant	Ordinary	100
PGI Strontium Limited	England	Provision of cyber security services	Ordinary	100
PGI Intelligence Limited	England	Provision of intelligence services	Ordinary	100
JT International Partnership Limited	England	Provision of risk management and training services	Ordinary	100
PGI Trustees Limited	England	Employee benefit trust	Ordinary	100

Discontinued operation

On 12 December 2019, the group disposed of the entire share capital of Protection Vessels International Limited.

The maritime security activities of the group were therefore discontinued with effect from 12 December 2019. The results of these discontinued activities were as follows:

	2019 £	2018 £
Revenue	9,304,161	10,874,190
Expenses	(8,998,583)	(10,295,394)
Profit from operations	305,578	578,796
Taxation charge on operations	-	30,848
Profit on disposal of discontinued operation	305,578	609,644
Gain on sale of the subsidiary	2,095,229	-
Profit from discontinued operation	2,400,807	609,644

The results of the discontinued activities of the group for the year ended 31 December 2018 have been re-presented, as required by IFRS 5, so that the disclosures relate to all operations that have been discontinued by 31 December 2019 for all periods presented.

During the year the discontinued operation contributed -£23,618 (2018:-£32,959) to the group's net operating cash flows, received £113 (2018: paid £3,415) in respect of investing activities and paid £nil (2018:£nil) in respect of financing activities.

The gain on sale of the subsidiary has been calculated as follows:

	2019 £	2018 £
Consideration received	800,000	-
Final settlement value owed to the buyers	(235,581)	-
Intercompany balance written-off	2,327,295	-
Carrying amount of net assets sold	(796,485)	-
Gain on sale of the subsidiary	2,095,229	-

The carrying amounts of assets and liabilities as at the date of sale (12 December 2019) were total assets of £3,394,181 and total liabilities of £2,598,362.

PGI – Protection Group International Ltd

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

11. Investments (continued)

In April 2019 PGI Logistics, a wholly owned, dormant entity was dissolved as it was no longer required, the entity had net assets of £666.

12. Property, plant and equipment

GROUP

	Leasehold improvements £	Protection equipment £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 January 2019	38,086	1,805,395	145,404	846,781	2,835,666
Additions	-	-	-	2,967	2,967
Disposal of subsidiary Disposals	(38,086)	(1,805,395)	(103,572)	(321,575)	(2,268,628)
At 31 December 2019	-	-	41,832	528,173	570,005
Depreciation and impairment					
At 1 January 2019	37,672	1,786,644	135,089	830,953	2,790,358
Charge for the year	414	8,704	5,563	15,429	30,110
Disposal of subsidiary Disposals	(38,086)	(1,795,348)	(100,960)	(321,575)	(2,255,969)
At 31 December 2019	-	-	39,692	524,807	564,499
Net book amount					
At 31 December 2019	-	-	2,140	3,366	5,506
At 31 December 2018	414	18,751	10,315	15,828	45,308

	Leasehold improvements £	Protection equipment £	Fixtures and fittings £	Office equipment £	Total £
Cost					
At 1 January 2018	282,565	2,235,858	209,917	1,210,230	3,938,570
Additions	-	3,052	624	1,264	4,940
Category transfers	-	-	1,272	(1,272)	-
Reinstated assets disposed of in prior year	-	68,962	-	-	68,962
Disposals	(244,479)	(502,477)	(66,409)	(363,441)	(1,176,806)
At 31 December 2018	38,086	1,805,395	145,404	846,781	2,835,666
Depreciation and impairment					
At 1 January 2018	217,747	2,045,560	174,554	950,854	3,388,715
Charge for the year	19,822	134,713	17,047	220,625	392,207
Category transfers	-	-	1,093	(1,093)	-
Reinstated assets disposed of in prior year	-	68,962	-	-	68,962
Disposals	(199,897)	(462,591)	(57,605)	(339,433)	(1,059,526)
At 31 December 2018	37,672	1,786,644	135,089	830,953	2,790,358
Net book amount					
At 31 December 2018	414	18,751	10,315	15,828	45,308
At 31 December 2017	64,818	190,298	35,363	259,376	549,855

PGI – Protection Group International Ltd

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

12. Property, plant and equipment (continued)

COMPANY

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Office equipment £	Total £
Cost					
At 1 January 2019	-	-	388,514	-	388,514
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 December 2019	-	-	388,514	-	388,514
Depreciation and impairment					
At 1 January 2019	-	-	381,770	-	381,770
Charge for the year	-	-	5,901	-	5,901
Disposals	-	-	-	-	-
At 31 December 2019	-	-	387,671	-	387,671
Net book amount					
At 31 December 2019	-	-	843	-	843
At 31 December 2018	-	-	6,744	-	6,744

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Office equipment £	Total £
Cost					
At 1 January 2018	204,066	37,536	388,999	160,897	791,498
Additions	-	-	1,264	-	1,264
Transfers between categories	-	-	23,462	(23,462)	-
Disposals	(204,066)	(37,536)	(25,211)	(137,435)	(404,248)
At 31 December 2018	-	-	388,514	-	388,514
Depreciation and impairment					
At 1 January 2018	147,831	28,388	271,495	121,142	568,856
Charge for the year	17,006	3,128	114,161	20,808	155,103
Transfers between categories	-	-	18,283	(18,283)	-
Disposals	(164,837)	(31,516)	(22,169)	(123,667)	(342,189)
At 31 December 2018	-	-	381,770	-	381,770
Net book amount					
At 31 December 2018	-	-	6,744	-	6,744
At 31 December 2017	56,235	9,148	117,504	39,755	222,642

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

13. Intangible assets

GROUP

	Goodwill £	Other software £	Total £
Cost			
At 1 January 2019	4,260,577	161,516	4,422,093
Additions	-	-	-
Disposals	-	-	-
At 31 December 2019	4,260,577	161,516	4,422,093
Amortisation charge			
At 1 January 2019	907,054	157,209	1,064,263
Charge for the year	-	4,307	4,307
On disposals	-	-	-
At 31 December 2019	907,054	161,516	1,068,570
Net book values			
At 31 December 2019	3,353,523	-	3,353,523
At 31 December 2018	3,353,523	4,307	3,357,830

	Goodwill £	Other software £	Total £
Cost			
At 1 January 2018	4,260,577	543,352	4,803,929
Additions	-	-	-
Disposals	-	(381,836)	(381,836)
At 31 December 2018	4,260,577	161,516	4,422,093
Amortisation charge			
At 1 January 2018	907,054	430,579	1,337,633
Charge for the year	-	23,164	23,164
On disposals	-	(296,534)	(296,534)
At 31 December 2018	907,054	157,209	1,064,263
Net book values			
At 31 December 2018	3,353,523	4,307	3,357,830
At 31 December 2017	3,353,523	112,773	3,466,296

The carrying amount of goodwill and intangible assets have been assigned to the following cash-generating units:

	PGI Intelligence Limited £
Cost	
At 1 January 2019	4,260,577
Disposals	-
At 31 December 2019	4,240,577
Impairment and amortisation	
At 1 January 2019	907,054
Amortisation	-
Amortisation on disposals	-
At 31 December 2019	907,054
Carrying amount:	
At 31 December 2019	3,553,523
At 31 December 2018	3,553,523

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

13. Intangible assets (continued)

The carrying amount of goodwill allocated to each cash-generating unit is £3,353,523 for PGI Intelligence Limited.

Management's assumptions on which the cash flow projections have been completed have been based on the group's five-year projections.

Impairment tests for goodwill

In accordance with the group's accounting policy, the carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The carrying value is assessed for impairment purposes by calculating the net present value (NPV) of future cash flows arising from the original acquired businesses. The goodwill impairment review assessed whether the carrying value of goodwill was supported by the NPV of future cash flows based on management forecasts for 5 years from 2020 with varying growth rates. A pre-tax discount rate of 15% based on the group's estimated weighted average cost of capital was used. Cash flows beyond this 5-year period were extrapolated using terminal value at a 2% growth rate. Management have made the judgement that this long-term growth rate does not exceed the long-term average growth rate for the industry. Following the annual review, management believe that no further impairment is required to the carrying value of the investment and resulting goodwill in PGI Intelligence Limited.

At 31 December 2019 the recoverable amount of the goodwill relating to the CGU was in excess of its carrying amount by £1.8m. If revenue growth fell from the assumed level of 24% to 12%, after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of the goodwill would be equal to the carrying value. If gross margin fell from the assumed level of 57% to 48%, after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of the goodwill would be equal to the carrying value. If the discount rate grew from the assumed level of 15% to 22%, after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of the goodwill would be equal to the carrying value. If the long term growth rate reduced from the assumed level of 2% to -12%, after incorporating the consequential changes on other variables used to measure recoverable amount, the recoverable amount of the goodwill would be equal to the carrying value.

Whilst the future growth and profitability plans are ambitious, the directors are confident of meeting these objectives. In particular, the increase in retained revenue provides a more predictable income. This, alongside growth with new clients, gives the directors confidence that the ambitious plans will be met but acknowledge they are uncertain. If the future plans are not met, it may indicate that the goodwill and investment carrying value is impaired.

14. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade receivables	830,330	1,362,076	50,514	52,525
Other receivables	350,640	172,762	3,000	35,372
Other taxes and social security	-	22,558	-	12,880
Prepayments and accrued income	84,169	581,180	5,850	49,513
	1,265,139	2,138,576	59,364	150,290

Trade receivables and amounts owed by subsidiary companies at the statement of financial position date are shown above net of provisions. See note 25 for details of impairment relating to amounts owed by subsidiary companies.

Trade receivables are stated net of impairment for estimated irrecoverable amounts of £Nil (2018: £76,481). This impairment has been determined by reference to past default experience, known issues and by using the expected loss model, which is calculated from a provision matrix based on the expected lifetime default rates and estimates of loss on default. Write offs are made when the irrecoverable amount becomes certain. The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

14. Trade and other receivables (continued)

Movements on the allowance for irrecoverable amounts on trade receivables are as follows:

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
At 1 January	76,481	81,186	-	9,975
Provision for bad debts	-	5,270	-	-
Receivables written off	(12,931)	(9,975)	-	(9,975)
Related to discontinued operations	(5,270)	-	-	-
Unused amounts reversed	(58,280)	-	-	-
At 31 December	-	76,481	-	-

Trade receivables below are shown before provisions.

	Total £	Neither past due nor impaired £	Less than 60 days £	60 to 120 days £	More than 120 days £
GROUP					
2019	830,330	445,064	101,038	232,627	51,601
2018	1,438,557	987,594	317,642	71,028	62,293
COMPANY					
2019	50,514	21,036	8,442	21,036	-
2018	52,525	52,525	-	-	-

15. Cash and cash equivalents

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Cash at bank and on hand	29,741	44,526	22,641	15,363

The directors consider that the carrying amount of these assets approximates to their fair value.

16. Deferred tax

Group	Accelerated capital allowances £	Other deductions £	Short term timing differences £	Fair value adjustments £	Total £
Recognised deferred tax assets/(liabilities)					
Balance at 1 January 2019	98,356	-	-	-	98,356
Disposal of subsidiary	(98,356)	-	-	-	(98,356)
Credit/(charge) to the income statement	-	-	-	-	-
Balance at 31 December 2019	-	-	-	-	-
Balance at 1 January 2018	67,508	-	-	-	67,508
Credit/(charge) to the income statement	30,848	-	-	-	30,848
Balance at 31 December 2018	98,356	-	-	-	98,356
Analysis of deferred tax balances for financial reporting purposes:				2019 £	2018 £
Deferred tax assets				-	98,356
Deferred tax liabilities				-	-
				-	98,356

There is no deferred tax in the parent company.

PGI – Protection Group International Ltd

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

16. Deferred tax (continued)

Unprovided deferred taxation

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Fixed asset timing differences	84,687	118,722	36,223	42,881
Short term timing differences	11,227	13,791	10,046	13,414
Tax losses	4,617,587	4,112,616	1,574,318	1,433,545
	4,713,501	4,245,129	1,620,587	1,489,840

17. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade payables	582,276	2,401,173	81,865	224,193
Amounts owed to subsidiary companies	-	-	-	1,700,655
Amounts owed to parent company	3,273,997	2,516,367	3,273,997	2,445,095
Current tax	-	-	-	-
Other creditors and social security	389,136	344,578	237,161	161,840
Accruals and deferred income	2,370,090	3,334,997	1,419,348	1,208,969
	6,615,499	8,597,115	5,012,371	5,740,752

All amounts are short term. The directors consider that the carrying amount of trade and other payables approximates to their fair value.

18. Borrowings

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Amounts falling due within one year				
Secured bank loans	5,800,000	6,600,000	5,800,000	6,600,000
Unsecured loans from immediate parent company	12,650,000	12,650,000	12,650,000	12,650,000
	18,450,000	19,250,000	18,450,000	19,250,000

The bank loans bear interest between 3%-5% above LIBOR and are secured by a fixed and floating charge over the assets of the group and a cross guarantee between the group companies.

The fair values of the group's and parent company's secured bank borrowings are considered to be equal to their carrying amount.

The facilities agreement with Santander is in breach and therefore the debt has been shown as current within the financial statements. However, MB Holding Company LLC has agreed to guarantee the bank debt and provide support to the group for a period of at least 12 months from the date of the signing of these financial statements.

The loans from the immediate parent company, which bear interest at 6%, are unsecured and repayable on demand. No interest payments have been made on these loans and the interest outstanding at the year-end of £3,087,329 (2018: £2,328,329) is included in the amounts owed to parent company figure in Note 17.

19. Financial instruments

Classification

All financial assets have been classified as loans and receivables, and all financial liabilities have been classified as basic financial liabilities measured at amortised cost. The main risks arising from the group's financial instruments are liquidity risk, credit risk and interest rate risk.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

19. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the group may encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The group seeks to manage its liquidity risk by ensuring that sufficient liquidity is available to meet its foreseeable needs through existing facilities and group borrowings.

Interest rate risk

The group and parent company have interest bearing assets and liabilities which comprise of cash and cash equivalents and loans (see note 18) which earn or incur interest at a variable rate. The group and parent company have not entered into any derivative transactions during the period under review. The group and parent company's cash and cash equivalents earned interest at a variable rate totalling £1,031 (2018 Restated: £1,715) during the year. Interest payable on the loans at a variable rate amounted to £1,109,176 (2018: £1,110,447) for the group and parent company.

Credit risk

The group trades only with recognised, creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to verification procedures. Trade receivables are considered in default and subject to additional credit control procedures when they are more than 30 days past due in line with industry practice. Trade receivables are only written off when there is no reasonable expectation of recovery due to insolvency of the debtor. In addition, receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debt is not significant.

Where appropriate, 12 month and lifetime expected credit losses are estimated based on historical loss rates, adjusted where evidence is available that different rates are likely to apply in the future.

The group and parent company's principal financial instruments that arise directly from their operations are detailed below:

	Group £	Company £
2019		
Assets:		
Cash and cash equivalents	29,741	22,641
Trade and other receivables	1,248,706	59,364
Liabilities:		
Trade and other payables	(5,085,388)	(4,036,610)
Bank borrowings	(5,800,000)	(5,800,000)
Loan from parent	(12,650,000)	(12,650,000)
At 31 December 2019	(22,256,941)	(22,404,605)
2018		
Assets:		
Cash and cash equivalents	44,526	15,363
Trade and other receivables	1,604,398	150,286
Liabilities:		
Trade and other payables	(7,183,705)	(4,622,369)
Bank borrowings	(6,600,000)	(6,600,000)
Loan from parent	(12,650,000)	(12,650,000)
At 31 December 2018	(24,784,781)	(23,706,750)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

19. Financial instruments (continued)

Capital management

The group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The group sets the amount of capital in proportion to risk. The group monitors capital on the basis of the carrying value of senior debt which is defined as all amounts due under loan facilities from Santander. The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The group is not subject to any externally imposed capital requirements.

The group considers its capital to comprise its ordinary share capital, share premium, other components of equity and accumulated retained earnings.

20. Called up share capital

	31 December 2019		31 December 2018	
	No. of shares	£	No. of shares	£
Called up, authorised and fully paid				
Ordinary shares of 1p each	10,267	103	10,267	103
Ordinary A shares of 1p each	17,842	178	17,842	178
Total	28,109	281	28,109	281

All shares rank *pari passu*.

21. Reserves

Share premium account

The share premium account includes the premium on issue of equity shares, net of any issue costs.

Other reserve

The other reserve arises from the purchase of own shares, as part of the process for establishing an Employee Benefit Trust to facilitate the provision of share-based benefits for management and senior staff. No share schemes have been established to date.

Retained earnings

Retained earnings represent cumulative profits or losses, net of dividends paid and other adjustments.

22. Pension scheme

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and this amounted to £136,559 for the year (2018: £119,113).

An amount of £19,159 (2018: £22,365) is included in creditors being outstanding company contributions at the balance sheet date.

23. Financial commitments

At 31 December 2019 the group and parent company had no future minimum lease commitments under non-cancellable leases (2018 Restated: £Nil).

24. Contingent liabilities

At 31 December 2019 the group and parent company had no contingent liabilities (2018: £Nil).

Notes to the consolidated financial statements (continued)
Year ended 31 December 2019

25. Related party transactions

During the year the company received £Nil (2018: £Nil) in loans from its immediate parent company, United Engineering Services LLC. The loans bear interest at 6% per annum and the amount charged in the accounts is £759,000 (2018: £759,000). No interest was paid during the year and at the year end the interest due of £759,000 (2018: £759,000) has been included in amounts owed to parent company.

During the year the company invoiced management charges of £514,699 (2018: £1,875,000). The company also received interest on loans to other group companies of £806,240 (2018: £742,517).

Amounts owed by subsidiary companies are stated net of impairment for estimated irrecoverable amounts of £19,546,962 (2018: £18,999,185). The company has recorded a £547,777 impairment of receivables relating to amounts owed by subsidiary undertakings during the year (2018: £1,356,417).

During the year the company received an advance of £nil (2018: £500,000) for future services to be performed from Oceanco Limited, a company in which Dr M Al Barwani is a director and shareholder. At the year end, an amount of £975,760 was held in deferred income in respect of this.

26. Exemption from Audit by Parent Company Guarantee

The parent company, being the ultimate sole shareholder of its subsidiaries, has decided to take exemption from audit of a number of group companies for the year ended 31 December 2019 under Sections 479A and 479C of the Companies Act 2006 and the parent company will provide a guarantee for all the liabilities of those entities as at 31 December 2019, as detailed in Note 11. Audit exemptions are being taken for all companies.

27. Ultimate parent undertaking

The immediate parent undertaking of the group is United Engineering Services LLC, an Omani company. The ultimate parent undertaking is MB Holding Company LLC which has changed its name post year end to Mohammed Al Barwani LLC, also an Omani company. The ultimate controlling party is Mohammed Al Barwani.